

DAKOTA GASIFICATION COMPANY

A BASIN ELECTRIC SUBSIDIARY

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June 8, 2011

VIA EMAIL AND PERSONAL DELIVERY

Mr. Pat Fahn
North Dakota Public Service Commission
State Capitol
Dept. 408
600 East Boulevard Avenue
Bismarck, ND 58505-0480

Re: Case No. PU-593-96-11
Permit No. 84

Dear Sir:

In our correspondence of June 7, 2011, Dakota Gasification Company (**DGC**) reported to the North Dakota Public Service Commission (**Commission**) that the lateral and subadjacent support for our carbon dioxide pipeline was lost in two locations in the north half of Section 35, T148N, R96W, Dunn County, exposing two segments of the pipeline. We also reported that due to the stresses on this pipe, we need to replace, at a minimum, the exposed areas and 50 feet on either side of each exposed area. As the western side of this butte is in a precarious condition and we (**DGC** and Bridger Pipeline LLC (**Bridger**)) are attempting to replace two parallel pipelines in the same small area at the same time, we believe we are looking at two possible options. One would be to drill the pipeline through the butte below the existing pipeline. We are finding it difficult, however, to secure this drilling equipment. Secondly, we do not know at this time if the soils would be adequate to support two pipes in this area. Third, given the close proximity to Bridger's pipeline, a risk analysis would likely suggest moving the pipe to the alternative location.

The second option, which can be accomplished more quickly and at less cost, would be to loop the replacement pipeline around the butte to the east (see attached drawing). This would involve approximately 1,450 feet of pipeline and, at the apex of the arch around the butte, be a maximum distance of 410 feet parallel from the existing centerline.

This is the second incident in the last seven months caused by Bridger where DGC has been required to declare force majeure under our three carbon dioxide sales agreements. If you are familiar with tertiary oil recovery utilizing carbon dioxide, the process calls for the continuous sequential injection of carbon dioxide followed by the injection of water pushing the crude oil toward collector wells. Thus, it is imperative, with respect to the economics of tertiary oil recovery, that the supply of carbon dioxide be constant. The contracts pursuant to which DGC sells the carbon dioxide reflect this as they effectively penalize the failure to deliver and limit the amount of time DGC is excused from delivery due to force majeure. If the force majeure declarations extend beyond a certain period of time, the buyer has the right to terminate the contract. Given the need to recommence supplying carbon dioxide to our customers as soon as we can do so in a safe manner also suggests that the "loop around the butte" to be the more prudent alternative.



DGC is prepared to make the certification to the Commission with respect to this rebuild required by North Dakota Century Code (NDCC) subsection 49-22-03-03. The rebuilt line would be within the corridor approved by the Commission.

There is one issue with this certification DGC would like to raise with the Commission staff, as well as a proposal as to how to address it. It is our understanding that the current practice before the Commission in a routing application is to take a pedestrian survey of a proposed pipeline route covering 300 feet either side of the proposed centerline. The purpose of walking the pipeline is to investigate the possible presence of paleontological and archeological sites.

When DGC submitted its route application in the above-referenced proceeding, the practice before the Commission called for a pedestrian survey 75 feet on either side of the proposed centerline on federal lands and a pedestrian survey 50 feet on either side of the proposed centerline on private lands. Thus, as things presently stand, DGC cannot claim that a pedestrian survey has been conducted on the east side of the butte.

To remedy this deficiency, DGC proposes to have a pedestrian survey conducted of the proposed loop around the east side of the butte, 300 feet on either side of the proposed centerline and include a written report of the results of said survey with DGC's certification pursuant to NDCC 49-22-03-03. DGC notes that when DGC filed its application for approval of its route, this was not an area that the Historical Society of North Dakota noted as having high archeological potential.

Obviously, if the survey discovers the area has archeological potential, DGC would need to consult with the State Historical Preservation Officer and would not be able to pursue this alternative in a timely fashion. If the Commission staff objects to this approach, we would like to very promptly meet with the Commission staff and discuss this further. Your prompt consideration would be greatly appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Mark D. Foss', with a stylized flourish at the end.

Mark D. Foss
General Counsel

mdf/mw
Attachment

